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Policy organs meetings of the Gisenyi,
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# PROGRESS REPORT ON THE IMPLEMENTATION OF THE LAGOS PLAN OF ACTION IN THE FIELD OF DOMESTIC AND INTRA-AFRICAN TRADE AND FINANCE

E/ECA/TRADE/60

## I. INTRODUCTION

1. As will be recalled, the Lagos Plan of Action (LPA) stems from the Monrovia Strategy for the Economic Development of Africa adopted by the Heads of State and Government of the OAU whose primary objectives are to achieve rapid collective self-reliance and self-sustaining development and economic growth of the African countries through the economic integration of the African region. The Lagos Plan of Action sets out the measures to attain these objectives with a view to gradually improving the economic conditions of life of the African peoples. It is also necessary to recall that a major concomitant of the LPA is the Final Act of Lagos which lays down the stages of implementation of the LPA for the attainment of an African Common Market by the 1990's and the ultimate objective of establishing an African Economic Community by the year 2000.

2. In order to attain the above objectives, the LPA of Action embraces all sectors of economic activity and the catalytic role which each sector is expected to play in promoting the self-reliant and self-sustaining economic and social development of Africa. In the field of trade and finance, the LPA places emphasis on domestic and intra-African trade and monetary and financial co-operation as an important aspect of collective self-reliance. At the international level, international trade and development financial resource flows were also given prominence. This brief report examines the main aspects of trade and finance which are of particular importance as a catalyst for co-operation in the other major sectors such as agriculture, industry, transport and communications. It reviews the recent actions taken by member countries, as well as the Secretariat in the implementation of the Plan of Action and the Final Act of Lagos. The present review will attempt to highlight the major achievements as well as the areas which have been seriously neglected in the process of implementation of the LPA.

## II. DOMESTIC TRADE

3. The African Heads of State and Government, having recognized the importance of the development of domestic trade in African countries and its potential contribution to the socio-economic development, called for special attention to be given by member countries to improving the conditions under which such trade was taking place in order to maximise its contribution to development. Towards that end, three major steps were called for namely:

(a) to promote internal trade at the national level, with particular attention to the potential offered by rural markets;

(b) to rationalize channels of distribution with a view in particular to minimizing the number of intermediaries and to ensure control by indigenous private and/or public enterprises;

(c) to keep a balance between investment in the domestic trade sector and investment in the productive sectors in order to ensure that the growth of the former does not jeopardise the growth of the latter.

4. The implementation of the three measures called for in the Lagos Plan of Action has not been spectacular or evenly distributed. At the secretariat level, several reports and papers have been submitted to member countries at various meetings of the ECA Conference of Ministers and the Conference of African Trade Ministers since the adoption of the Plan of Action. A study of particular importance entitled "Situation and Prospects of Domestic Trade in Africa" made a preliminary review of the problems of domestic trade and proposed policy recommendations which were presented to the Conference of African Ministers of Trade at its 8th session in Brazzaville in October 1985. 1/

5. At the national level, several important activities have taken place towards the implementation of the provisions of the Lagos Plan of Action, in this field. These relate to institutions and the awareness about domestic trade. At institutional level, some countries such as Ethiopia, for instance, have set up or strengthened the Ministry of Domestic or Internal Trade. Other countries have established departments within the Ministries of Trade to deal with domestic trade issues. The Grain Marketing Boards and Ministries of Supply have also been established or strengthened to deal more effectively with internal marketing and distribution of goods and services.

6. With regard to awareness, the member States have indicated, time and again, the importance which they attach to domestic trade as a means of attaining food self-sufficiency and self-reliance in development at the national level. To this end, the 8th session of the Conference of African Ministers of Trade held in Brazzaville, Congo, adopted the following decisions and recommendations:

Expansion of domestic and intra-African trade

(i) That intra-African trade be increased to the tune of 10% of the world total trade by the end of 1995.

(ii) That increased efforts be made to progressively reduce and eventually remove trade and customs barriers to intra-African trade especially those affecting cash crops specifically those mentioned in the Lagos Plan of Action by the end of 1995.

(iii) That efforts be renewed to support and strengthen subregional institutions for trade promotion called for in the Lagos Plan of Action.

(iv) That significant improvements be made in intra-African trade information and marketing systems and systematically monitoring and evaluating trade performance by African countries.

(v) That all African countries should commit themselves and encorage the free movement of African traders and economic operators for the purpose of promoting intra-African trade. Furthermore, that prompt action be undertaken to increase and regularize border-trade where necessary, by creating "border free trade zones" within which traditional operators may continue to function.

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1/ Document E/ECA/CAMI/TRADE/144/Rev.1-July 1985.

(vi) That where circumstances permit, priority be given to African tenders for the provision of goods and services offered by or originating from other African countries.

(vii) That use of African airlines and shipping lines be increased for freight services and transportation of goods for intra-African trade.

(viii) That appropriate pricing policies and other incentives designed to encourage domestic and intra-African trade be encouraged, especially in food and food products.

(ix) That steps be taken to link trade development with progress in other sectors such as industry, agriculture, education and training, transport and communication as outlined in paragraphs 76 of the Africa's Priority Programme for Economic Recovery 1986-1990 adopted by the 21st Summit of OAU.

(x) That prompt action be taken to develop adequate storage and distribution facilities for intra-African trade.

(xi) Called upon the Ministers of Transport and Communications to give priority to the creation or rehabilitation of inter-country roads and rail links likely to encourage the growth of intra-African trade with particular emphasis on feeder and access roads permitting for easier transportation of rural produce to the market, furthermore, that various trans-African highway projects, similarly, the early completion of the various trans-African highways was stressed.

(xii) Requested Ministries of Industry, science and technology and energy to adopt appropriate policies and priority towards growth in intra-African Trade in order to promote the structural adjustments need in the region for development.

Trade Promotion and Marketing Research in Africa

(i) That new types of intra-African Trade oriented distribution networks based on national, private and public enterprises be promoted.

(ii) That production and trade be linked within national development plans, using a macro-marketing approach complemented by trainine in marketing-oriented planning techniques provided by national and subregional management and trade promotion institutes.

(iii) That national, subregional and regional trade institutions be reinforced and given necessary resources in order to function properly and that a percentage of national taxes levied on imports be alloted for purposes of trade promotion.

(iv) That African Governments extend full support to the Association of African Trade Promotion Organization (AATPO) and the Federation of African Chamber of Commerce supported by fund-raising efforts to strengthen market research and supply and demand studies.

(v) That member States should strengthen their co-operation in exchange of trade information through subregional and regional trade information systems co-ordinated by ECA with technical backstopping provided by ITC.

(vi) That secretariats of ECA and OAU devise means of rationalizing the activities of AFTPO, the Federation of African Chamber of Commerce and ECA's Africa Trade Center in order to avoid duplication and waste of resources.

(vii) Appealed to all those African member States which had not yet indicated their participation in the Fourth All Africa Trade Fair to do so.

7. A number of resolutions and decisions were also adopted which reiterated the need for all African countries to intensify their efforts to explore new opportunities for domestic trade expansion and to adopt new policies so as to promote the production, marketing and distribution of locally produced goods especially agricultural products, including food, within each member State as a top priority policy option for attaining national self-reliance. 2/ Member countries were also specifically called upon to take measures for developing effective distribution channels in domestic trade and finance as a means of ensuring internally generated balanced growth.

8. The Twentieth Session of the ECA Conference of Ministers held in April 1985 went even further and called on member countries to make a thorough inventory of domestic trade potentials in food and food products, introduce corrective measures in the pricing mechanisms of agricultural commodities so as to facilitate the formulation of pricing policies which deliberately provide incentives to local producers and domestic distribution channels with a view to decentralizing supplies and overcome local distribution problems. 3/ Member countries were also requested to review their commercial banking and their credit institutions to ensure that credit lines are made available to local private and public enterprises specializing in domestic trade and to promote a campaign in favour of domestically produced goods. However, at its last session in April 1986, the ECA Conference of Ministers noted with concern that the development and expansion of domestic and intra-African trade continued to be accorded low priority in the national development plans of many African countries. The many resolutions and recommendations adopted have either not been implemented at all or dealt with in a piecemeal and unco-ordinated way.

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2/ ECA Conference of Ministers Resolution 541 (XX) of 29 April 1985, 560 (XXI) of 19 April 1986; Conference of Ministers: 7th and 8th Sessions (February 1982 and Oct. 1985) and Decisions of the 3rd Ministerial Follow-up Committee on Trade and Finance for African Development (May 1984).

3/ Document E/ECA/CM.11/30/Rev.1 entitled "Recommendations of the ECA Conference of Ministers concerning the economic issues on the draft agenda of the twenty first ordinary session of the Assembly of Heads of State and Government of the Organization of African Unity".

3. In addition to reports submitted to experts and ministerial meetings, there are on-going activities of importance which require mention. These include three case studies on domestic trade in East Africa which were recently undertaken by the ECA Secretariat in order to assist African countries to implement the recommendations of the LPA. The findings of these studies have been summarised and submitted in a report to the policy organs meeting of the Nine-teenth ECA/OAU for its consideration. Other case studies are being undertaken in Central, Eastern and Southern Africa and their findings, together with those from the studies for East Africa, will be integrated into a regional study which would be submitted to an intergovernmental expert group meeting to be held in 1987 for appropriate actions by member countries.

II. [illegible]

4. The Lagos Plan of Action and the Final Act of Lagos, it will be recalled, attached cardinal importance to the promotion of intra-African trade as the mainstay of the African strategy for the socio-economic development and collective self-reliance of the African region. In order to sustain the role that intra-African trade and finance are expected to play in the socio-economic transformation of the continent, African countries were required to establish, as priority action, Preferential Trade Areas at subregional levels within the framework of their respective RECs, the objective of which would be to remove all trade barriers among member countries to facilitate their trade. Member countries were also required to take measures to achieve more advance forms of economic co-operation arrangements. More specifically, African countries agreed to undertake the following measures to promote intra-African trade:

(a) reduction or elimination trade barriers: establishment of preferential trade areas by December 1984; elimination of all obstacles to intra-African in cereals, coffee, pulses, sugar, meat, maize, fish, oilseeds, rice, wheat, tea, sorghum and vegetable oils; effective from January 1982, all food products originating from African countries should be exempted from regulatory non-tariff barriers except for health requirements.

(b) establishment of mechnisms and measures for facilitating and development of trade: establishment of (i) agricultural and non-agricultural commodity exchanges, (ii) specialized marketing organizations for major export commodities, (iii) African association of state trading organizations; (iv) national chambers of commerce and the Federation of African Chambers of Commerce; and expanding the activities of the Association of African Trade Promotion Organizations, (v) trade data banks, African multinational marketing enterprises; and multinational shipping lines to promote intra-African trade.

(c) establishment of African multinational production corporations and joint ventures: priority on investment in the production sectors for intra-African trade; co-operation in processing of domestically available raw materials; conclusion of long-term purchase and supply contracts; and the establishment of an African common market.

11. Since the adoption of the Lagos Plan of Action, considerable progress has been made in the establishment of sub-regional institutions for promoting intra-African trade. However, as will be noted, such progress have been uneven.

(a) Yaounde-based MULPOC

12. In the Yaounde-based MULPOC some progress was made with the establishment of the Economic Community of Central African States (ECCAS) in 1983. Measures were also taken recently to strengthen the Central African Customs and Economic Union (UDEAC). The Federation of Central African Chambers of Commerce was also established as a measure for promoting intra-African trade. Support was provided to the group of countries in the field of trade and finance as stated in the progress report on the implementation of the Lagos Plan of Action submitted to the Conference of Ministers at its Eleventh meeting in April 1985. 1/ ECA as Executing Agency of a UNDP financed project, assisted the Secretariat of the Economic Community of Central African States (ECCAS) in the implementation of the provisions of their Treaty in the expansion of trade among the member countries and for the enlargement of the existing Central African Clearing House (CACH) to ensure the participation of all the countries of the Community into a Clearing system for the whole subregion.

13. Missions were also undertaken to selected member countries and technical reports on tariff and non-tariff barriers prepared and submitted to the Trade and Customs Committee of ECCAS. A further study on trade legislation, rules and regulations of member countries of the subregion has been completed for submission to the policy organs meetings of the Yaounde-based MULPOC for consideration. The study reviews tariff and non-tariff barriers in the context of economic groupings within the subregion. The MULPOC has also prepared technical reports on border trade in the subregion and on the competitiveness of industrial and agro-industrial products for trade among member countries which are planned to be submitted to a workshop for review and recommendation.

(b) Niamey-based MULPOC

14. In the Niamey-based MULPOC, efforts were made to enhance the implementation of the provisions of the treaties and agreements establishing the Economic Community of West African States (ECOWAS); the West African Economic Community (CEAO); the Mano River Union (MRU); and the West African Clearing House (WACH). The Federation of West African Chamber of Commerce was also established to promote greater contacts among the private sector in the field of intra-subregional trade. The Member States, with the assistance of the MULPOC, carried out investigations on the identification of the major constraints to sub-regional trade; the problems of transit trade in West Africa and the improvement of the compensatory mechanisms under the ECOWAS treaty as a further incentive for expansion. The MULPOC also assisted the ad hoc Committee composed of ECOWAS, West African Development Bank and CEAO to carry out four additional studies on

1/ Document E/ECA/CM.11/7 - 13 April 1985

(i) the subregional market for the major African rural products being traded or likely to be traded within the West African subregion; (ii) the mechanisms for financing intra-subregional trade in West Africa; (iii) payments and foreign exchange managements; and (iv) pratical and effective measures which should be taken at subregional level to liberalize trade and to enforce the decisions envisaged for harmonizing agricultural and industrial development policies and activities in West Africa.

(c) Gisenyi-based MULPOC

15. In the Gisenyi-based MULPOC, the Communaute Economique des pays Du Grand Lac (CEPGL) was established in 1976 to promote co-operation between Rwanda, Burundi and Zaire. For this group of countries, ECA's assistance has essentially been in the form of advisory services with regard to the removal of tariff and non-tariff barrier and the preparation of technical reports within the context of multilateral trade negotiations among member countries of the Economic Community of Central African States to which Rwanda, Burundi and Zaire also belong.

(d) Lusaka-based MULPOC

16. In the Lusaka-based MULPOC, considerable advancement has been achieved in the field of promotion of subregional trade. The Preferential Trade for Eastern and Southern African States (PTA) was established in 1982 and became fully operational in 1984. The PTA has in turn established the clearing house and the Trade and Development Bank specifically aimed at promoting intra-PTA trade. A PTA trade fair was established as a permanent feature and the PTA Chamber of Commerce was also established to promote the participation of the private sector in intra-African trade. The Southern African Development Co-ordination Conference (SADCC) was established, prinicpally to find alternative trade and transport outlet away from dependence on South Africa. The Indian Ocean Commission was also established to deal with specific problems relating to the island nations.

17. The establishment of an Agricultural Commodity Exchange called for in the Lagos Plan of Action also absorbed considerable interest of the member States of the Lusaka-based MULPOC. Three technical reports on the Rules and Regulation, Memorandum of Association and the Draft Agreement for establishing the Commodity Exchange were prepared. The ECA Secretariat serviced an *ad hoc* expert group meeting in March 1986 to review the reports and submit their recommendations to the policy organs meetings of the Lusaka-based MULPOC for appropriate decision. However, the Council of Ministers of the MULPOC at its meeting also in March 1985 decided to refer the draft agreement to member governments for their views which were to be taken into account by the MULPOC for revising the text and submitting to a meeting of legal experts before a final decision could be taken.

18. Progress in the establishment of the agricultural commodity exchange has been very slow. It is generally felt by the member States that this would be a costly operation and difficult to finance. Another major factor has been the viability of its operations which implies a regular flow of the main

commodities to be traded within the Exchange. In the light of the present difficult food situation in the African countries, this condition may not be satisfied and it could therefore be prudent to postpone the creation of this institution. It is argued that the role of the proposed agricultural commodity exchange inter alia as a centre of information could be performed by another existing subregional institution such as the PTA.

(e) Tangier-based MULPOC

19. In the Tangier-based MULPOC, although the member States have not yet reached agreement on the creation of an economic integration institution, there has been considerable interest in this area. As a means of advancing this interest, a "Draft Declaration of Intent and Commitment to set up a Preferential Trade Area and a Clearing and Payments System was for North Africa" was prepared by ECA and submitted for consideration at the meeting of the Council of Plenipotentiaries held in March 1986. The member countries were not ready to take a firm decision on this issue. In addition, country economic profiles were submitted to the member countries at the last meeting highlighting the potential for trade co-operation among them and a mission was recently undertaken by the ECA to review with member countries the possibilities for concrete action. Since member countries continue to support the establishment of a PTA for North Africa, it is necessary for them to approve the draft Declaration of Intent and Commitment to enable ECA raise the necessary resources for further action. A final decision on this matter should therefore emerge at the next meeting of the MULPOC in March 1987.

(f) Other intra-African trade institutions

20. Following the adoption of the Lagos Plan of Action, the Federation of African Chambers of Commerce (FACC) was established in September 1984. Its main objectives are (a) assist in the development and strengthening of national chambers or associations of chambers of commerce, and other similar organizations involved in the promotion of intra-African trade; (b) encourage the establishment and the strengthening of African subregional federations of chambers of commerce (c) serve as a link between its member and African subregional and regional organizations in the promotion of the economic integration of the African continent; (d) assist African governments in facilitating the removal of obstacles to the free movement of persons, goods and services for the promotion of intra-African trade; (e) serve as a liaison between its members and foreign federations of chambers of commerce when so requested; (f) encourage and promote the establishment and development of African enterprises and joint ventures that would ensure the economic development of Africa, especially by making the best use of Africa's capacities and resources; (g) assist in the development and strengthening of African economic groupings that would promote the eventual establishment of an African Common Market; (h) initiate and organize African trade fairs and coordinate the participation of its members and African businessmen in trade fairs and trade events;

(i) collect, analyze and disseminate trade, production and technological information in Africa and promote the exchange of trade missions within Africa; (j) assist in the training of African economists and technicians, specially business managers and personnel of African chambers of commerce; (k) act as a forum for the exchange of information and experience among its members; (l) settle such trade disputes that may be brought before it by its members; (m) coordinate and harmonize the activities and views of its members with a view to safeguarding their interests within international circles and with respect to third parties; (n) undertake consultancy services and research with respect to its objectives; and (o) do such other things as may be necessary or desirable for the achievement of all objectives of the Federation. This has been a major achievement of member countries in the efforts to establish co-ordinating mechanisms of regional trade expansion. Although FACC is still in its infancy and has yet to become operational, it can be considered that the main objective of the Lagos Plan of Action in this field has been attained. The ECA has also been very closely associated with the work of the Association of African Trade Promotions Organization (AATPO) whose objectives are to conduct market surveys, disseminate information on trade and organise the training of experts in trade promotion. The organisation of trade fairs by member countries has also been a major success as an instrument in the promotion of intra-African trade. The fifth All African Trade Fair was held in Lome in 1985 was a great success and showed considerable potentials that exists for intra-African trade expansion.

21. In spite of the creation of these institutions, the level of intra-African trade continues to be very small indeed. From the latest statistics available, trade among African countries has averaged about 4 per cent of Africa's total trade annually between 1981 and 1985 and has in fact, declined from around 6 per cent in the seventies. During this period, the value of intra-African trade in absolute terms had fluctuated between 2 1/2 to 3 billion dollars annually out of an annual level of export ranging between 56 and 75 billion dollars. An important reason for this was the lack of progress in the negotiations among member countries in the removal of tariff and non-tariff barriers as provided for under the terms of their treaty. In addition, there were the various other obstacles such as lack of trade information, trade documentation, transport facilities, credit financing, the high cost of African manufactured goods, etc. By far, the major constraints to trade expansion among the African countries remains the very limited range of locally manufactured products available in the region which, in itself, is a problem arising from the failure of African countries to tap the potential offered by their rural markets to expand production and reduce unit costs.

## IV. FINANCING DOMESTIC AND INTRA-AFRICAN TRADE

22. In the area of monetary and financial co-operation, the Lagos Plan of Action called for the establishment of sub-regional and regional monetary and financial institutions, for the purpose of promoting intra-African trade. Of specific importance in this area were the establishment of payments and clearing arrangements, trade and development banks and the African Monetary Fund as primary catalytic agents for intra-African trade.

23. Since the LPA was adopted, three clearing houses have became fully operational. These are (a) the West African Clearing House (WACH), the Central African Clearing House (CACH) and the PTA Clearing House. Following the establishment of the Economic Community of Central African States, assistance was provided under a UNDP financed project, to find out the best ways of enlarging the existing Central African Clearing House to cover all ECCAS member States.

24. The treaties establishing ECOWAS, PTA and ECCAS, provide for the establishment of subregional trade and development banks to promote the expansion of trade and development. The ECOWAS fund was created with this objective in mind as was the Association of African Development Finance Institutions. In Eastern and Southern Africa, the PTA trade and Development Bank was also established and became operational in 1986.

25. At the regional level, the major focus was on the establishment of an African Monetary Fund (AfMF) called for in the Lagos Plan of Action, partly to respond to the needs for financing intra-African trade. A feasibility study entitled: "The Establishment of an African Monetary Fund: Structure and Mechanism:" was jointly prepared by the Economic Commission for Africa (ECA), the Organization of African Unity (OAU), the African Institute for Economic Development and Planning (IDEP), the African Development Bank (ADB) and the African Centre for Monetary Studies (ACMS). The feasibility study was then submitted for consideration to the second meeting of the inter-governmental group of experts from Ministries of finance and central banks in April 1985. Based on the study Draft Articles of Agreement of the African Monetary Fund were prepared and submitted for consideration to the third and fourth meetings of the Inter-governmental Group of Experts from Ministries of Finance and Central Banks which were respectively held in April 1986 in Yaounde (Cameroon) and June 1986 in Libreville (Gabon). A Conference of Ministers of Finance and Governors of Central Banks was also convened in Libreville to consider the Draft Articles of Agreement. The Conference after considerable debate, adopted a resolution establishing an ad hoc Committee called "Committee of Libreville" entrusted with the task of considering all outstanding issues and making recommendations to the next conference of Ministers of Finance scheduled for the end of 1987 for the speedy implementation of the provisions of the LPA.

## V. CONCLUSIONS

26. From the foregoing, it can be concluded that member States have made considerable progress in the implementation of the Lagos Plan of Action in the field of domestic and intra-African trade and financial co-operation. The measures proposed in the Lagos Plan of Action for the expansion of domestic and intra-African trade have largely been implemented with regard to the establishment of institutional arrangements some of which, as was noted earlier, have become fully operational. While such institutions have been set up, the implementation of the provisions of the Agreements establishing these institutions has been very slow resulting in limited impact on the expansion of trade among the African countries. This applies, in particular, to the removal of tariff and non-tariff

barriers and the use of the clearing houses as a channel for intra-African trade. A great deal has as yet to be accomplished in order to make these institutions meet the objectives of promoting intra-African trade.

27. In the field of domestic trade, there is still the need to increase investment in the rural sectors; to increase agricultural and trade credit; rectify the unfavourable pricing policy and poor distribution channels. The failure to establish storage and other conservation facilities for food commodities in many countries has undoubtedly reduced the incentive to farmers to increase the production of food in the region. Therefore, adequate resources need to be devoted to the construction of grain silos and other food storage facilities, with such facilities, the impact of the food shortage in Africa would no doubt have been considerably limited. Similarly, traders need to be better informed about trading opportunities within each country. Other important areas that have not been given appropriate consideration by member States are the identification of products of major interest to rural populations, the undertaking of supply and demand studies at national and subregional levels and the introduction of radical changes in the structure of production, trade and consumption with the main objective of meeting the basic needs of the masses of African populations and, in particular those in the rural areas.

28. With regard to monetary and financial co-operation for intra-African trade, the institutions such as the PTA trade and development bank and the payments and clearing houses in Central and West Africa have as yet to make the required impact. The member States and the private sector operators need to be convinced on the need to fully utilize the institutions which they have set up for themselves for intra-African trade.